

## Summary

### Key Findings

#### KEY FINDINGS

Estimates of Personal Income for Small Areas uses tax data to describe personal income and its distribution across Australia. A comprehensive range of income indicators can be compared across relatively small regional areas (including the Local Government Area level and Greater Capital City Statistical Area level in this summary, and Statistical Area levels 2, 3 and 4, which are also available in the datacubes).

It should be noted that some income earners are not represented in these statistics because they did not submit a tax return. This coverage gap is likely to include many individuals who earned below the tax-free threshold and many Government benefit recipients, therefore providing an incomplete picture of low income earners. This is important to consider when comparing estimates in this release with distribution-based measures from other statistical collections (for example the Gini coefficients, which will be higher in this release).

The Australian Bureau of Statistics acknowledges the invaluable support of the Australian Tax Office in compiling these statistics.

#### OVERVIEW OF PERSONAL INCOME IN AUSTRALIA

- In 2015-16, the total personal income of the 13.4 million persons who submitted a tax return was \$827.9 billion.
- Median income was \$47,692, an increase of 1.8 per cent on the previous financial year and an increase of 17 per cent since 2010-11.
- The Australian Capital Territory continued to record the highest mean income, although it also recorded one of the slowest growth rates over the six year period.
- South Australia had the slowest overall growth rate over the six year period.
- Western Australian growth has also slowed markedly in recent years. Over the six year period, 2015-16 saw Western Australia record its first year of negative year-on-year growth.
- The Northern Territory recorded the highest growth rate over the six year period, driven by very strong growth in the Greater Darwin area.
- Income inequality indicated by the Gini coefficient was highest in New South Wales and lowest in the Northern Territory.

A selection of income indicators are presented in Table 1, providing an overview of the distribution of income across Australia.

**TABLE 1. SELECTED PERSONAL INCOME DISTRIBUTION INDICATORS, Greater Capital City Statistical Areas, 2015-16**

	Median total income \$	Median income growth rate 2010-11 to 2015-16 %	Median income growth rate 2014-15 to 2015-16 %	INCOME SHARE			Gini coefficient
				Top 1% of earners %	Top 5% of earners %	Top 10% of earners %	
Greater Sydney	50 724	17.4	2.3	11.9	25.7	36.6	0.503
Rest of New South Wales	43 557	17.8	2.6	7.3	19.9	31.2	0.471
<b>New South Wales</b>	<b>48 085</b>	<b>17.9</b>	<b>2.6</b>	<b>10.9</b>	<b>24.3</b>	<b>35.3</b>	<b>0.496</b>
Greater Melbourne	48 572	15.3	2.2	10.0	23.2	34.1	0.481
Rest of Victoria	42 019	15.6	1.5	7.0	19.6	30.7	0.467
<b>Victoria</b>	<b>46 984</b>	<b>15.9</b>	<b>2.3</b>	<b>9.5</b>	<b>22.6</b>	<b>33.6</b>	<b>0.479</b>
Greater Brisbane	49 482	16.9	1.8	8.7	21.6	32.5	0.464
Rest of Queensland	44 468	18.0	1.8	7.4	20.3	31.7	0.471
<b>Queensland</b>	<b>46 869</b>	<b>17.5</b>	<b>1.8</b>	<b>8.2</b>	<b>21.1</b>	<b>32.1</b>	<b>0.468</b>
Greater Adelaide	47 307	15.7	1.6	8.2	20.7	31.2	0.452
Rest of South Australia	41 778	14.4	1.0	6.4	19.0	30.3	0.463
<b>South Australia</b>	<b>46 110</b>	<b>15.6</b>	<b>1.5</b>	<b>7.9</b>	<b>20.4</b>	<b>31.1</b>	<b>0.455</b>
Greater Perth	53 200	17.2	-0.8	9.0	22.4	33.8	0.484
Rest of Western Australia	49 634	18.9	-1.3	6.4	19.1	30.9	0.479
<b>Western Australia</b>	<b>52 504</b>	<b>17.6</b>	<b>-0.9</b>	<b>8.6</b>	<b>21.8</b>	<b>33.3</b>	<b>0.483</b>
Greater Hobart	46 411	16.1	2.2	7.6	19.6	30.0	0.441
Rest of Tasmania	41 790	15.1	1.4	7.1	19.2	29.9	0.454
<b>Tasmania</b>	<b>43 833</b>	<b>15.9</b>	<b>1.8</b>	<b>7.3</b>	<b>19.4</b>	<b>30.0</b>	<b>0.448</b>
Greater Darwin	62 211	23.3	2.7	6.8	18.5	29.2	0.420
Rest of Northern Territory	54 315	18.8	4.9	5.2	16.0	26.3	0.406
<b>Northern Territory</b>	<b>59 466</b>	<b>21.1</b>	<b>2.5</b>	<b>6.5</b>	<b>18.2</b>	<b>28.8</b>	<b>0.420</b>
<b>Australian Capital Territory</b>	<b>63 061</b>	<b>15.7</b>	<b>2.6</b>	<b>6.5</b>	<b>18.3</b>	<b>28.7</b>	<b>0.421</b>
<b>Australia</b>	<b>47 692</b>	<b>17.0</b>	<b>1.8</b>	<b>9.5</b>	<b>22.7</b>	<b>33.8</b>	<b>0.484</b>

#### SOURCES OF PERSONAL INCOME

Overall, employee income continues to make the highest contribution to total personal income in Australia, at 77 per cent.

South Australia recorded the lowest relative contribution of employee income, at 74 per cent of total income recorded for South Australia in 2015-16. This pattern is consistent over time, and is countered by the relatively high contributions of all other income types to South Australia's total income levels.

In 2015-16, Own unincorporated business income contributed more to South Australia's total personal income than in any other state (8.5%, compared to 7.8% Australia-wide). Australian Capital Territory continued to record the lowest Own unincorporated business income contribution, at only 3.9 per cent of its total income.

Table 2 details the median income by source from 2010-11 to 2015-16.

**TABLE 2. SOURCES OF PERSONAL INCOME, Australia, 2010-11 to 2015-16**

MEDIAN INCOME	

	2010-11 \$	2011-12 \$	2012-13 \$	2013-14 \$	2014-15 \$	2015-16 \$
Employee	41 181	43 173	44 644	45 725	46 999	48 413
Own unincorporated business	10 064	10 303	10 171	10 953	11 581	11 669
Investment	407	392	360	337	293	242
Superannuation & annuities	17 169	18 184	18 003	18 857	19 736	19 933
<b>Total Income<sup>1</sup></b>	<b>40 770</b>	<b>42 987</b>	<b>44 778</b>	<b>45 828</b>	<b>46 854</b>	<b>47 692</b>

<sup>1</sup> Total income from all sources excluding Government pensions and allowances, and including Other income.

## REGIONAL TOTAL MEDIAN PERSONAL INCOME

The Local Government Area (LGA) with the highest median total income was Ashburton within the Pilbara region of Western Australia (\$100,665). Since the previous year, the top five highest median income areas in New South Wales, Victoria, South Australia and Western Australia have remained stable.

Woden Valley rose from fifth to third in the Australian Capital Territory rankings, and Alice Springs nudged West Arnhem out of the Northern Territory's top five. Queensland and Tasmania's top five were shuffled around by Bulloo and King Island which both entered the top five in 2015-16, while Gladstone (Queensland) and West Coast (Tasmania) both dropped out of the top ranks from fourth and second place, respectively.

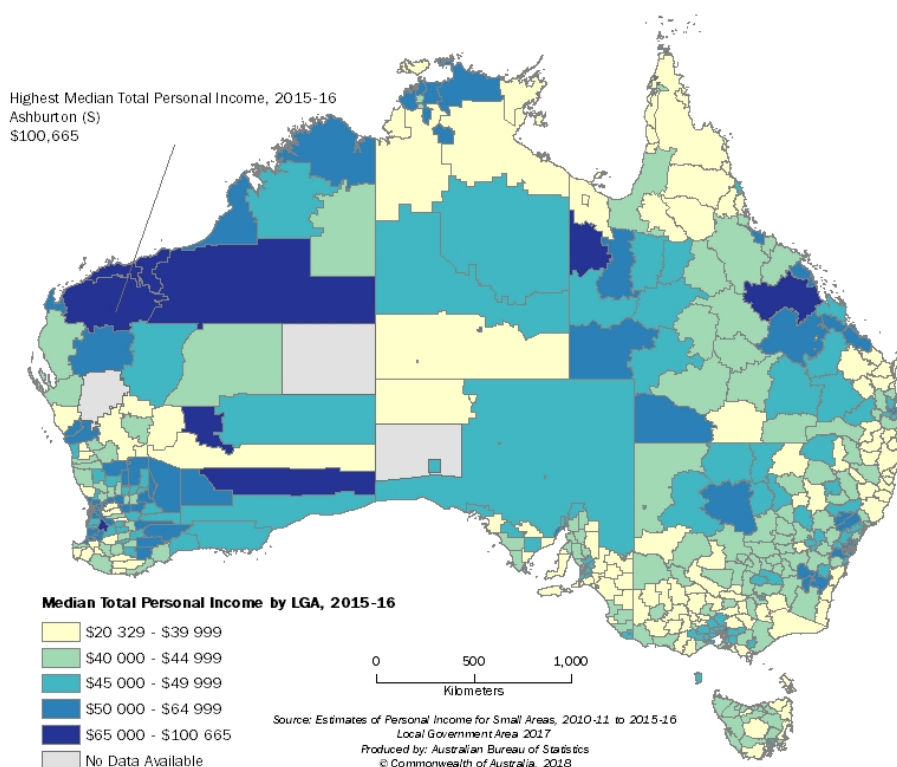
Table 3 lists the five LGAs within each state and territory with the highest median total income in 2015-16. Map 1 illustrates the distribution of median income throughout LGAs across the country.

**TABLE 3. HIGHEST MEDIAN TOTAL PERSONAL INCOME LOCAL GOVERNMENT AREAS, for each state and territory, 2015-16**

New South Wales	Victoria	Queensland	South Australia
Woollahra (A) \$74 076	Stonnington (C) \$60 483	Weipa (T) \$81 123	Roxby Downs (M) \$82 195
Mosman (A) \$74 068	Port Phillip (C) \$60 274	Mount Isa (C) \$68 995	Walkerville (M) \$60 198
North Sydney (A) \$72 915	Yarra (C) \$59 284	Isaac (R) \$68 564	Unley (C) \$55 452
Hunters Hill (A) \$69 912	Bayside (C) \$58 909	Bulloo (S) \$61 568	Burnside (C) \$55 059
Lane Cove (A) \$67 210	Boroondara (C) \$57 306	Cloncurry (S) \$59 778	Whyalla (C) \$52 980
Western Australia	Tasmania	Northern Territory	Australian Capital Territory <sup>1</sup>
Ashburton (S) \$100 665	Hobart (C) \$48 253	Palmerston (C) \$66 171	South Canberra \$78 357
Peppermint Grove (S) \$89 795	Clarence (C) \$47 210	Litchfield (M) \$62 218	Molonglo \$74 863
Port Hedland (T) \$82 349	Kingborough (M) \$47 116	Darwin (C) \$60 354	Woden Valley \$64 254
Karratha (C) \$81 933	King Island (M) \$45 322	Wagait (S) \$60 000	North Canberra \$63 962
East Pilbara (S) \$76 575	Brighton (M) \$45 158	Alice Springs (T) \$55 962	Gungahlin \$63 906

<sup>1</sup>The Australian Capital Territory does not have Local Government Areas, so information is presented at the Statistical Area 3 level of the Australian Statistical Geography Standard

**MAP 1. MEDIAN TOTAL PERSONAL INCOME, Local Government Areas, 2015-16**



## REGIONAL TOTAL PERSONAL INCOME GROWTH

Of the regions with more than one thousand earners, the highest income growth since 2010-11 occurred in the Torres region of Queensland, with median total income increasing by 25 per cent. This region also demonstrated the highest year-on-year growth at 30 per cent. Tables 4 and 5 provide further details of the highest growing regions. Income growth by LGAs is shown in Map 2.

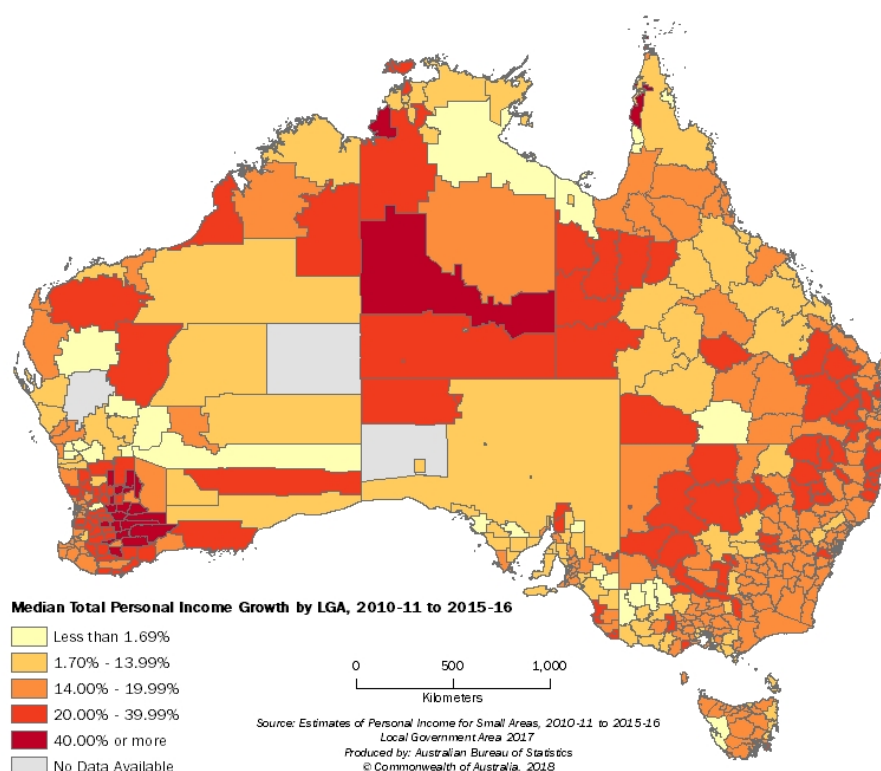
**TABLE 4. HIGHEST GROWING TOTAL MEDIAN PERSONAL INCOME LOCAL GOVERNMENT AREAS (for areas with more than 1,000 earners), 2010-11 to 2015-16**

		Median Total Income 2010-11 \$	Median Total Income 2015-16 \$	Change from 2010-11 %
Torres (S)	Queensland	40 196	53 597	25.0
Murrumbidgee (A)	New South Wales	32 430	43 211	24.9
Ashburton (S)	Western Australia	77 310	100 665	23.2
Cottesloe (T)	Western Australia	56 699	73 724	23.1
Gunnedah (A)	New South Wales	35 267	45 455	22.4

**TABLE 5. HIGHEST GROWING TOTAL MEDIAN PERSONAL INCOME LOCAL GOVERNMENT AREAS (for areas with more than 1,000 earners), 2014-15 to 2015-16**

		Median Total Income 2014-15 \$	Median Total Income 2015-16 \$	Change from 2014-15 %
Gwydir (A)	New South Wales	34 193	38 152	10.4
Walgett (A)	New South Wales	32 219	35 739	9.8
North Burnett (R)	Queensland	29 964	32 949	9.1
Balonne (S)	Queensland	39 330	43 037	8.6
Glen Innes Severn (A)	New South Wales	31 261	34 058	8.2

**MAP 2. MEDIAN TOTAL PERSONAL INCOME GROWTH RATES, Local Government Area, 2010-11 to 2015-16**



## INCOME INEQUALITY - GINI COEFFICIENT

The Gini coefficient is a summary indicator between 0 and 1 which measures the degree of inequality of total income within a region. A value of 0 indicates that all earners reported the same amount of income in that region, and higher values represent relatively higher income inequality.

Underlying data limitations mean that the Gini coefficients in this publication can't be compared with the Gini coefficients produced in other publications. The measures in this release provide a useful view of change in income inequality in a region over time, and they also provide an informative comparison of income inequality across regions, which are frequent and detailed. The coefficients are calculated from gross personal income and not from equivalised disposable income, and are drawn from data with coverage limitations (approximately 10% of employees don't need to submit a tax return, and persons aged 60 years and over are generally under-represented in tax data). For national and state and territory estimates, users are encouraged to refer to Household Income and Wealth, Australia, 2015-16 (cat. no. 6523.0). Gini coefficients in this publication are based on data from the ABS Survey of Income and Housing (SIH), which includes estimates of current income as well as estimates of annual income with respect to the previous financial year.

In 2015-16, Australia had a Gini coefficient of 0.484, with values for the states and territories ranging from 0.496 in New South Wales to 0.420 in the Northern Territory. Of the areas with greater than one thousand earners, Table 6 shows the five LGAs with the lowest income inequality in Australia. In addition to relatively low inequality, Molonglo and Palmerston have a high proportion of earners in the top quartile.

**TABLE 6. LOCAL GOVERNMENT AREAS WITH THE LOWEST GINI COEFFICIENT (for areas with more than 1,000 earners), 2015-16**

		Gini coefficient	Proportion of high earners	Proportion of region's income held by the top 10% of earners	Mean income
			%	%	\$
Molonglo	Australian Capital Territory <sup>2</sup>	0.339	44.1	23.7	78 284
Brighton (M)	Tasmania	0.364	14.1	23.7	48 241
Glenorchy (C)	Tasmania	0.378	13.8	24.2	47 233
Palmerston (C)	Northern Territory	0.378	36.5	26.2	74 275
Playford (C)	South Australia	0.379	12.9	24.6	46 780

<sup>1</sup>Proportion of earners in the top quartile (with income of \$79,760 or more)

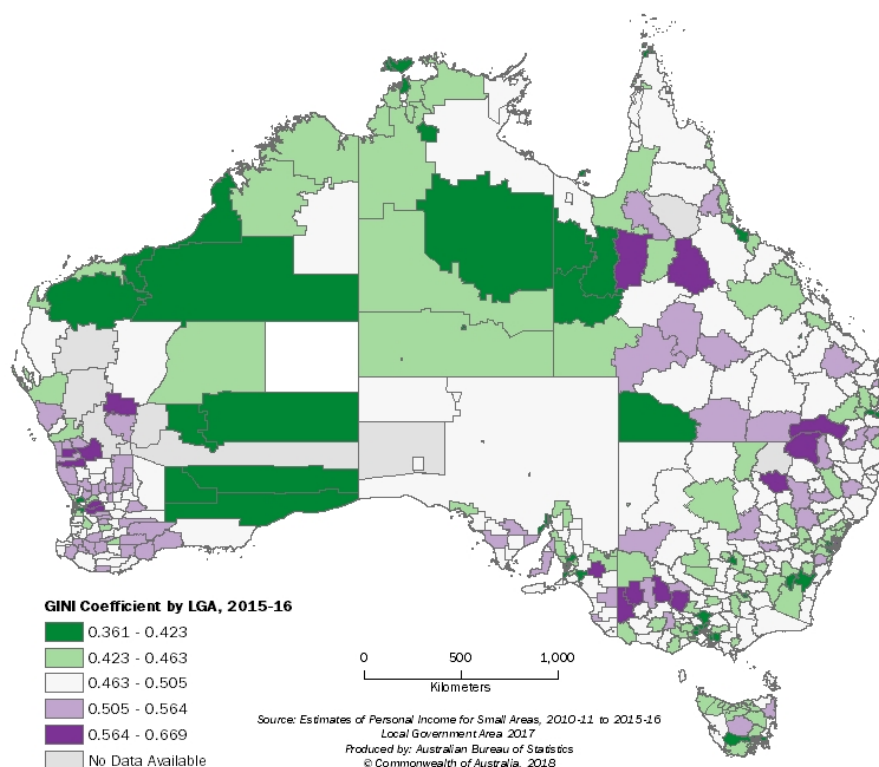
<sup>2</sup>The Australian Capital Territory does not have Local Government Areas. For the ACT, information at the Statistical Area 3 level of the Australian Statistical Geography Standard is included in LGA analysis

Table 7 shows the five LGAs with the highest Gini coefficients. Mosman and Woollahra have the highest mean incomes in Australia, with most of the region's income held by the top ten per cent of earners. Map 3 shows the distribution of Gini coefficient values by LGA.

**TABLE 7. LOCAL GOVERNMENT AREAS WITH THE HIGHEST GINI COEFFICIENT (for areas with more than 1,000 earners), 2015-16**

		Gini coefficient	Proportion of high earners	Proportion of region's income held by the top 10% of earners	Mean income
			%	%	\$
York (S)	Western Australia	0.664	22.3	45.7	56 516
Mosman (A)	New South Wales	0.664	46.9	55.0	162 272
Woollahra (A)	New South Wales	0.659	46.9	55.1	159 580
Mosman Park (T)	Western Australia	0.649	40.7	52.3	126 597
Buloke (S)	Victoria	0.639	10.8	34.3	34 346

**MAP 3. GINI COEFFICIENT, Local Government Areas, 2015-16**



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## Changes in this Issue

This edition of Estimates of Personal Income for Small Areas incorporates changes compared with the previous release.

Data are presented on Australian Statistical Geography Standard (ASGS) 2016 and Local Government Area (LGA) 2017 boundaries. This includes revisions

to previously published data for 2010-11 to 2014-15 which used LGA 2016 boundaries.

The Other income series has been removed as a separate category in the data presentation. This is because it does not provide a reliable view of the concept. Income amounts that form part of the Other income measure are included in estimates of Total personal income.

## About this Release

The information in this release has been sourced from the Australian Tax Office (ATO). It complements the data published in the ATO's Taxation Statistics release.

This release presents regional data on the number of income earners, amounts they receive, and the distribution of income for the 2010-11 to 2015-16 financial years.

These statistics provide insights into the nature of regional economies and the economic well-being of the people who live there.

The Australian Bureau of Statistics wishes to acknowledge the support of the ATO in compiling these statistics.

## Explanatory Notes

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#### EXPLANATORY NOTES

##### INTRODUCTION

**1** Personal income tax data are supplied by the Australian Taxation Office (ATO) to the Australian Bureau of Statistics (ABS) under the *Taxation Administration Act 1953*, which requires that such data be only used for the purpose of administering the *Census and Statistics Act 1905*. Any discussion of data limitations or weaknesses in these Notes is in the context of using the data for statistical purposes; it is not related to the ability of the data to support the ATO's core operational requirements. Readers should note that legislative requirements to ensure privacy and secrecy of this data have been adhered to. In accordance with the *Census and Statistics Act 1905*, results have been confidentialised to ensure that they are not likely to enable identification of a particular person or organisation.

**2** This issue presents personal income data at various levels of the Australian Standard Geography Standard (ASGS). Regions shown include Statistical Area Level 2, Statistical Area Level 3, Statistical Area Level 4 and Greater Capital City Statistical Areas for each state and territory of Australia. Data for Local Government Areas (LGA) are also provided. More information about the ASGS is available from the Statistical Geography Portal on the ABS website. The full suite of geographies can be viewed in the data cubes.

**3** This release contains regional estimates of the sources of personal income that people received for the 2010-11, 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16 financial years. The data cubes provide a breakdown of total personal income for the following sources:

- Employee income
- Own unincorporated business income
- Investment income
- Superannuation and annuities income and
- Total income, which is the sum of these component sources plus Other income (see paragraph 21 below for definition of Other income).

**4** This publication forms part of the Australian Bureau of Statistics' (ABS) ongoing program to increase the range of regional statistics available, particularly through the use of administrative information collected by other government agencies. The ABS particularly wishes to acknowledge the ATO which provided the valuable data used to compile the statistics presented in this release.

##### CHANGES IN THIS ISSUE

**5** This edition uses a six year time series of data from the ATO. The data is collated by the ATO from individual tax returns and employer payment summaries that have been lodged for the financial years of 2010-11 to 2015-16 inclusive.

**6** The geographic boundaries have been updated to the latest LGA 2017 boundaries. This has meant that some regions have changed either name or their boundary since the last publication. The six year time series of data are all produced on the same boundaries for ease of comparability across years. ASGS geographic regions remain on 2016 boundaries.

**7** Data cubes for the Other income category that have previously featured within this publication have not been created for this release. Other income is still included as a component of Total income estimates in this release.

##### SCOPE AND COVERAGE

**8** The main functions and responsibilities of the ATO are to administer taxation legislation and to collect a wide variety of taxes. The ATO therefore collects data from its reporting population as part of its processes to calculate income tax liability for those persons who are required to lodge an income tax return.

**9** The ATO database covers all individuals who submit an individual income tax return and includes persons with income from one or more of a range of sources, such as wages and salaries, own unincorporated business, superannuation and annuities, investments and Government pensions, benefits or allowances. The scope of the ATO statistics presented in this release are data items relating to income standards the ABS uses for its income surveys. However the scope of the ATO statistics presented in this release exclude Government pensions, benefits or allowances.

**10** All data presented are gross income before deductions; before tax, Medicare levy or other tax measures (such as the temporary budget repair levy) are applied. The amounts shown are nominal, they have not been adjusted for inflation.

**11** The statistics are geocoded using the location data from income tax returns, payment summaries and the ATO client register.

**12** The income presented in this publications has been categorised into income types, these categories have been devised by the ABS to closely align to ABS definitions of income:

##### INCOME CATEGORIES

## Employee income

**13** Employee income is the total (or gross) income received as a return to labour from an employer or from a person's own incorporated business (when they are employed by this business). The data used in deriving employee income comes from both individual tax returns and payment summaries (where an individual has not lodged a individual tax return). This income category includes the following data items from the payment summary and/or individual income tax return:

- Salary or wages
- Allowances, earnings, tips, director's fees
- Employer lump sum payment amount A
- Employer lump sum payment 5 per cent
- Employment termination payments taxable component
- Attributed personal services income
- Employee share schemes total assessable discount
- Total reportable fringe benefit amount
- Reportable employer superannuation contributions
- Exempt foreign employment income
- Other net foreign employment income

## Own unincorporated business income

**14** Own unincorporated business income is the profit or loss that accrues to owners of, or partners in, their own unincorporated businesses. Profit or loss is the value of the gross output of the enterprise after the deduction of operating expenses, including reportable superannuation contributions, depreciation and operating costs, but before income tax is taken out. Losses occur when operating expenses are greater than receipts and are treated as negative income. This category includes the following data items from the individual income tax return:

- Net income or loss from business primary production
- Net income or loss from business non primary production
- Distribution from trusts primary production
- Net Personal Services Income
- Distribution from partnerships less foreign income non primary production
- Distribution from partnerships primary production

**15** The data excludes distributions from trusts for non-primary production activities as this may include aspects of investment income. It also excludes the income of working directors/owners of incorporated businesses who are classified as employees; consequently their income is included under Wage and salary income.

**16** "Net personal services income" does not include income a person received as an employee, making it different from "Attributed personal services income".

## Investment income

**17** Investment income includes the following data items on the individual income tax returns:

- Gross interest;
- Dividends unfranked amount
- Dividends franked amount
- Dividends franking credit
- Share of net income from trusts less net capital gains and foreign income non primary production
- Franked distributions from trusts - non-primary production
- Australian franking credits from a New Zealand company
- Net foreign rent
- Net rent

## Superannuation and annuity income

**18** Superannuation and annuity income includes the following data items on the individual income tax returns:

- Australian annuities and superannuation income streams taxable component taxed element
- Australian annuities and superannuation income streams taxable component untaxed element
- Australian annuities and superannuation income streams lump sum in arrears taxable component taxed element
- Australian annuities and superannuation income streams lump sum in arrears taxable component untaxed element
- Australian superannuation lump sum payments taxed element
- Australian superannuation lump sum payments untaxed element
- Bonuses from life insurance companies and friendly societies

**19** A change to legislation relating to superannuation, taking effect from 1 July 2007, meant that people aged 60 years and over who receive superannuation income in the form of a lump sum or income stream (such as a pension) from a taxed source, receive that income tax free. Therefore, if a person has no other income, or their total income is below the tax-free threshold, or any tax payable is mitigated by a tax offset (such as Senior Australian Tax Offset), then this person is not required to lodge a tax return.

**20** Due to such changes, the superannuation estimates (persons, income) published in this publication are regarded as partial, subject to under-coverage. A more comprehensive snapshot of superannuation income (at aggregate state/territory level) can be obtained from the ABS Survey of Income and Housing - see Household Income and Wealth, Australia, 2015-16.

## Other income (included in Total income)

**21** Other income comprises income items reported on the individual income tax return that were not allocated to one of the above categories. For example, Other income can include transfer or trust income, controlled foreign company income, net foreign pension and annuity income, and foreign investment and life insurance income. Other income is not published separately as it does not provide a reliable view of the category. It is included in total income. Other income includes the following data items on the individual income tax returns:

- Foreign source income net foreign pension or annuity without UPP
- Foreign source income net foreign pension or annuity with UPP
- Foreign entities controlled foreign company income
- Foreign entities Transferor trust income
- Foreign source income other net foreign source income
- Other income category 1
- Other income category 2

## **Total income**

**22** Total Income is the sum of all reported income derived from Employee income, Own unincorporated business, Superannuation and annuities, Investments and Other income, as defined above. Total income does not include the non-lodger population.

**23** Government pensions, benefits or allowances are excluded from the ABS income data and do not appear in Other income or Total income. Pension recipients can fall below the income threshold that necessitates them lodging a tax return, or they may only receive tax free pensions or allowances. Hence they will be missing from the personal income tax data set. Recent estimates from the ABS Survey of Income and Housing (which records Government pensions and allowances) suggest that this component can account for between 9% to 11% of Total income.

## **INCOME DISTRIBUTION INDICATORS**

### **Gini coefficient**

**24** Taken together, the simple measures of income distribution such as mean, median, percentile ratios and income shares can provide an indication of differences in the income distributions of two separate regions. However, none of the simple measures comprise a single statistic that summarises the whole income distribution in a way that directly considers the individual incomes of all regions. In this publication, the Gini coefficient is used to compile a single statistic of inequality by summarising the distribution of income across the population in each region.

**25** The Gini coefficient is provided here for Total income (excluding Government pensions and allowances). This is a single statistic that lies between 0 and 1 and is a summary indicator of the degree of inequality in income between members of the tax form lodging population. Values closer to 1 represent greater inequality.

**26** The Gini coefficients shown in this publication can be regarded as indicative but not definitive. They should not be directly compared with other ABS published Gini coefficients. The Gini coefficients presented in this publication are calculated from gross personal income and not from equivalised disposable income as presented in Household Income and Wealth, Australia, 2015-16. There is also an acknowledged under-coverage of certain income groups in taxation data due to tax exemptions, and people being under the tax free threshold. For instance, persons aged 60 years and over who are mostly dependent on superannuation income and those mostly reliant on government pensions and allowances may be missing from the tax data.

### **Percentiles**

**27** Personal income data derived from the taxation dataset are presented in percentiles. When all persons in the tax form lodging population are ranked from the lowest to the highest based on a common characteristic such as total income, they then can be divided into equal sized groups. Division into 100 groups gives percentiles. For example, the highest value in the twentieth percentile is denoted P20. The median or top of the 50th percentile is denoted as P50. Similarly, the highest values in the 20th and 80th percentiles are denoted by P20 and P80, respectively.

**28** Percentile ratios summarise the relative distance between two points in a distribution. To illustrate the spread of an income distribution, percentile ratios often present points near the extremes of the distribution, for example a P90/P10 ratio. For personal income tax data, the P80/P20 ratio is thought to provide a good illustration of the magnitude of the range within which the income of the majority of people fall. The P80/P50 and P50/20 ratios focus on comparing the ends of the income distribution with the midpoint.

### **Medians**

**29** Median income is that level of income which divides the units in the reference population into two equal parts, one half having incomes above the median and the other half having incomes below the median.

### **Australia quartile ranges**

**30** Quartiles are groupings that result from ranking all persons who lodged tax returns in ascending order according to total income, and then dividing them into four equal groups, each comprising 25% of the reference population. Australia's quartile ranges are used to compare the income distributions of regions to the income distribution for Australia.

### **Income share**

**31** Income share (percentage of income held by the top 1%, 5% and 10% of all earners, per region) has also been produced. The aggregate income of the units in each percentile is divided by the overall aggregate income of the entire population to derive income shares.

### **Main source of income**

**32** Main source of income is the source from which a person derives most of their income. In this publication, main source of earners is presented as a proportion of the population in that region.

**33** If a region is particularly reliant on one source, it may be susceptible to policy or economic changes that affect that income type, hence the inclusion. Where persons receive exactly the same amount across multiple sources of income, they have been excluded from the derivation of this indicator. Persons with negative or nil total income have also been excluded.

### **Median age of earners**

**34** Median age by income type has been provided for all geographies in this publication. See paragraph 29 for explanation of medians.

### **Counts of individuals**

**35** Individuals may receive income from a number of sources. Also, net income from a specific source may be positive or negative. For example, an individual may have positive income from Employee income yet negative net income from Investments. The number of individuals for each income source includes all persons with either positive or negative net income from that source.

**36** Readers should note that the total number of individuals in receipt of income from at least one source cannot be calculated as the sum of the individuals in each income category, since people can have more than one source of income in any given year. For example, an individual could derive income from multiple sources such as Employee income, Investment income and income from their own unincorporated business and thus contribute to the regional person count in all three income categories.

## **DATA CONSIDERATIONS**

**37** Generally, the ATO considers someone to be an Australian resident for tax purposes if they have either always lived in Australia or have come to Australia to live permanently, or they have been in Australia for more than half of the financial year (unless their usual home is overseas and they don't intend to live in Australia), or they have been in Australia continuously for six months or more and for most of that time have been in the one job and living in the same place, or they are an overseas student enrolled in a course of study for more than six months duration.

**38** For the purposes of providing statistical measures for the entire population, the ATO database has some limits to its coverage. As indicated previously, persons who receive an income below certain levels are not necessarily required to lodge a tax return. This can include persons who derive their income from Government pensions and allowances. Consequently, the coverage of low income earners, including people receiving government pensions and allowances,

is incomplete in ATO records. In addition, some Commonwealth of Australia Government pension, benefit and allowance payments are exempt from income tax and are therefore do not need to be reported in tax returns. As such, the ATO data should be regarded as an indicative though not complete picture of all individual income earned in Australia.

### Non-lodgers

**39** Some individuals may not lodge a tax return. This population may have income that is in scope of this publication and as such their absence should be taken into consideration. ABS accesses de-identified data from payment summaries. The payment summaries data is cross checked against income tax returns to see if the data has been declared. If it has not been declared, the data from the payment summary is added to the aggregate Employee income figures for each individual region, and is also used in calculating mean and median employee incomes. Non-lodgers are not included in the Total income category and income distribution items.

**40** As payment summaries only contain limited data, it can only be used as a component of Employee income. The payment summary data is not used where certain demographic or employment characteristics are needed e.g. occupation, age, and sex. Hence, non-lodgers data are not included in the cross classified data cubes:

- Employee Income by Age and Sex
- Employee Income by Occupation and Age
- Employee Income by Occupation and Sex

### Processing of tax returns

**41** The data presented in this publication were compiled before the processing of all income tax returns for any given year may have been completed. Data provided to the ABS by the ATO are from returns processed up to 31 October, 16 months after the end of the financial year. Any returns lodged after this date are not included. For example, returns processed after 31 October 2017 are not included in the estimates for the 2015-16 financial year presented in this publication.

**42** Because of the late lodgement of tax returns in any tax reference year, the data provided in this report underestimates the total taxable income for any given financial year. It is estimated that up to 6 per cent of tax returns for any reference year are lodged after the 16 month cut off date after the financial year is applied to the data.

### Changes in taxation policy

**43** Users of the data should note that there may be taxation policy changes that will influence the lodging of tax returns, as well as the amounts declared. One change that impacted the data was the increase of the tax-free threshold of \$6,000 to \$18,200 for the 2012-13 financial year, this appeared to result in less people needing to lodge a tax return. The ABS strongly encourages users of the data to research policy changes that may impact in the comparability of the data year to year. For more information on taxation policy change, the ATO publishes changes in their Taxation Statistics publications.

### CONFIDENTIALITY

**44** All individual income tax statistics have been provided by the ATO in de-identified form and then geocoded to Statistical Area Levels 1, 2, 3 & 4 and Local Government Areas. Personal information or historically linked details of individual taxpayers have not been released to the ABS.

**45** To minimise the risk of identifying individuals in aggregate statistics, a confidentialisation process called perturbation has been applied to the data. Perturbation involves small random adjustment of the statistics and is considered the most satisfactory technique for avoiding the release of identifiable statistics while maximising the range of information that can be released. These adjustments have a negligible impact on the underlying pattern of the statistics. Some cells have also been suppressed due to low counts.

**46** Apparent outlier values are treated to ensure more coherent data (less skewed values) at the regional level. Other additivity features (e.g. totals may not exactly match the sum of components) also reduce the risk of deducing real values.

### COMPARISON WITH OTHER ABS INCOME DATA

**47** The ABS Survey of Income and Housing (SIH) collects information on sources of income, amounts received and the characteristics of persons aged 15 years and over resident in private dwellings throughout Australia. Some data on income earned by children is also captured. Since 2003-04, SIH has been conducted biennially, with the most recent snapshots being 2011-12, 2013-14 and 2015-16 income years. Additional SIH estimates of annual income are produced for the survey gap years. Hence, SIH produces both estimates of current income as well as estimates of annual income with respect to the previous financial year. For further information about the concepts, definitions, methodology and estimation procedures used in SIH, please refer to Survey of Income and Housing, User Guide (cat. no. 6553.0).

**48** SIH employee income includes all payments received by individuals as a result of their current or former involvement in paid employment. In addition to the regular and recurring cash receipts captured by SIH, employee income also includes non-cash benefits, bonuses, termination payments and payments for irregular overtime. Details of the composition of employee income derived from ATO sources are provided in Explanatory Note 14 (above).

**49** Table 1 below presents a selection of reasonably comparable income data items, sourced from ATO and the SIH, for 2011-12, 2013-14 and 2015-16.

**TABLE 1. SELECTED SOURCES OF INCOME, EoPI AND SIH DATA, 2011-12, 2013-14 and 2015-16 AUSTRALIA**

	EoPI 2011-12 \$b	SIH 2011-12 \$b <sup>1</sup>	EoPI 2013-14 \$b	SIH 2013-14 \$b	EoPI 2015-16 \$b	SIH 2015-16 \$b
<b>Employee income</b>	573.3	591.6	648.8	679.4	724.9	729.0
<b>Own unincorporated business income</b>	42.4	46.4	45.3	47.7	50.6	43.8
<b>Investment income</b>	70.0	42.3	79.5	67.3	81.6	57.2
<b>Superannuation and annuity income</b>	9.8	23.0	10.7	31.4	11.7	41.4
<b>Total personal income - percentile ratios</b>						
P80/20	5.09	4.45	4.86	4.33	4.99	4.42
P80/50	1.88	1.90	1.88	1.92	1.88	1.92
P20/50	0.37	0.43	0.39	0.44	0.38	0.43
P10/50	0.16	0.28	0.17	0.29	0.16	0.29
<b>Total personal income - Gini coefficient</b>	0.483	0.427	0.483	0.446	0.484	0.434

<sup>1</sup> Estimates from the Survey of Income and Housing were collected in 2013-14 and then adjusted to estimate the 2011-12 year.

**50** Differences in collection methodologies, data collection/extraction periods, definitions, scope/coverage etc., can all contribute to variations between EoPI and SIH income data. Also, as mentioned before, SIH presents data for low income households whereas the EoPI series may be missing some individuals with low incomes (for example those earning under the \$18,200 tax free threshold) because they may not need to lodge tax returns. Please see the Quality Declaration in the publication for more information about coherence.



51 Since changes were applied to the reporting of superannuation income in 2007 (see paragraphs 18-20), the SIH estimate is thought to provide a more accurate, complete indication of the level of income derived from Superannuation and annuities. However, the SIH estimates only include superannuation pension streams and not superannuation lump sum payments.

## STATISTICAL GEOGRAPHY

52 All geographic variables are based on the individual's residential address as stipulated on the income tax return, or for non-lodgers, the address listed on the payment summary.

53 The Australian Statistical Geography Standard (ASGS), July 2016, is used by the ABS for the collection and dissemination of geographically classified statistics.

54 The ASGS is an essential reference for understanding and interpreting the geographic context of statistics published by the ABS and its use enables comparability across datasets. The ASGS has been implemented by the ABS, in part, to obtain more consistency in population size across similar region types, to achieve more data stability and continuity and thereby minimise the need for annual geographic review and change.

55 Further information, including access to ASGS boundaries which underpin the data presented in this publication, can be accessed from Australian Statistical Geography Standard (ASGS): Volume 1 - Main Structure and Greater Capital City Statistical Areas, July 2016 (cat. no. 1270.0.55.001).

### Geographic regions

56 The statistics in this release are presented according to the Australian Statistical Geography Standard (ASGS), July 2016. Data is also provided on Local Government Areas 2017 boundaries. Under this classification, statistical areas are defined as follows:

- **Local Government Areas (LGA):** These areas are the spatial units which represent the geographical areas of incorporated local government councils. LGAs include sub categories such as Cities (C), NSW Local Government Areas (A), Boroughs (B), Rural Cities (RC), Towns (T), Shires (S), District Councils (DC), Municipalities (M), SA Municipal Councils (M), SA Regional Councils (RegC) and Qld Regional Councils (R). Unless stated otherwise, data are presented for LGA boundaries at 2017.
- **Statistical Area Level 2 (SA2):** These are general purpose, medium sized areas designed to represent communities that interact socially and economically. SA2s generally have an average population of 10,000 persons, or a population size range of 3,000-25,000 persons, tending towards the lower limit of this range in rural and remote regions. There are 2,214 SA2s Australia wide covering the whole of Australia without gaps or overlaps.
- **Statistical Area Level 3 (SA3):** This geography has been created as a standard for the analysis of ABS data at broader geographies through the clustering of SA2s with similar regional characteristics. Generally, SA3s have a population size range of 30,000-130,000 persons. There are 351 SA3s Australia wide.
- **Statistical Area Level 4 (SA4):** These are the largest sub-state regions within the main structure of the ASGS. They have been primarily designed to output labour force data, reflecting recognised major labour market regions in each jurisdiction. Population size can range from 100,000-300,000 persons, tending towards the lower limit in rural and regional areas. There are 106 SA4s Australia wide.
- **Greater Capital City Statistical Area (GCCSA):** These geographies, comprising eight capital cities and their wider metropolitan surrounds, are aggregations of SA4s. When combined with seven Rest of State/Territory regions, they cover the whole of Australia without gaps or overlaps, aggregating directly to all States and Territories. A slight exception: the entire Australian Capital Territory comprises one GCCSA, without a 'Rest of' regional component.

57 Further information regarding the ASGS regions, including the detailed classification, metadata, maps and downloadable boundary files, can be accessed from the ABS Statistical Geography Portal on the ABS website.

58 Details of income earners from regions unknown (not stated or indeterminate), or who are lodging returns from overseas, have been classified as such and included in the totals shown. Therefore, the totals shown for Australia may not necessarily be the sum of all state and territory totals.

59 The sum of sub state geographies (GCCSA, SA4, SA3, SA2 and LGA) may not equal the state estimates due to some records having inadequate address information to be geocoded. Where a record was unable to be geocoded to an SA2, it has not been included in totals for SA2 right through to GCCSA. However, where possible, these records have been included in the state and Australia totals.

60 Confidentiality rules have been applied to the estimates to ensure there is no likely risk of individuals in the aggregate statistics presented in this publication. Therefore, the sum of sub-state estimates may also not equal state estimates due to some regions being suppressed through the confidentialising process.

## ACKNOWLEDGEMENTS

61 The ABS acknowledges the continued support provided by the ATO in compiling these statistics.

## FURTHER INFORMATION

62 For further information about these and other statistics, please contact the National Information and Referral Service on 1300 135 070.

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## Glossary

### GLOSSARY

#### Age

Age of earner as reported on the Individual Tax Return.

#### Annuities

Annuities are guaranteed regular and recurring receipts, generally from an insurance company, the right to which was purchased with a lump sum or regular contributions at some point in the past.

#### Assets

An entity of a financial or non-financial nature, owned by the household or its members, and from which economic benefits may be derived by holding or use over a period of time.

### **Australian Statistical Geography Standard (ASGS)**

The ASGS provides a common framework of statistical geography used by the ABS to enable the publication of statistics that are comparable and spatially integrated. For further information refer to Australian Statistical Geography Standard (ASGS): Volume 1 - Main Structure and Greater Capital City Statistical Areas, July 2016.

### **Disposable income**

Gross income less income tax, the Medicare levy and the Medicare levy surcharge i.e. remaining income after taxes are deducted, which is available to support consumption and/or saving. Disposable income is sometimes referred to as net income.

### **Dividends**

Dividends may be the main source of income for people who run their own incorporated business. They can be:

- 'franked' which are shares of company profit paid or credited by an Australian resident public company from profits on which Australian company tax has been paid, or
- 'unfranked' which are those shares of company profit paid by an Australian resident company from profits on which Australian company tax has not been paid.

### **Earners**

Persons (including children) who receive income (either positive or negative) from employee income, investment income, own unincorporated business income, superannuation income or other income.

### **Employees**

Employees are defined as persons who worked for a private or public sector employer and received pay for the reference period in the form of wages or salaries, a commission while also receiving a retainer, tips, piece rates or payments in kind. Persons who operated their own incorporated enterprises with or without hiring employees are also included as employees.

### **Employee income**

An employee's total remuneration, whether monetary or in kind, received as a return to labour from an employer or from a person's own incorporated business. It comprises wages and salaries, bonuses, amounts salary sacrificed, non-cash benefits such as the use of motor vehicles and subsidised housing (where valued over a certain threshold, see Explanatory Notes for more information), and termination payments.

Employee income usually includes all employer social contributions. However, many components of this income are not reported on the Personal Income Tax (PIT) dataset and hence are not included in this publication.

### **Financial assets**

An asset whose value arises not from its physical existence (as would a building, piece of land, or capital equipment) but from a contractual relationship. Financial assets are mostly financial claims (with the exception of shares and value of own unincorporated business). Financial claims entitle the owner to receive a payment, or a series of payments, from an institutional unit to which the owner has provided funds. Examples include accounts held with financial institutions (including offset accounts), ownership of an incorporated business, shares, debentures and bonds, trusts, superannuation funds, and loans to other persons.

### **Gini coefficient**

A summary measure of inequality of income distribution. For more information see the Explanatory Notes.

### **Government pensions and allowances**

Income support payments from government to persons under social security and related government programs. Included are pensions and allowances received by aged, disabled, unemployed and sick persons, families and children, veterans or their survivors, and study allowances for students.

### **Gross income**

Income from all sources, whether monetary or in kind, before income tax, the Medicare levy, the Medicare levy surcharge, and the temporary budget repair levy are deducted.

### **Greater Capital City Statistical Area Structure**

Greater Capital City Statistical Areas (GCCSAs) represent the functional extent of each of the eight state and territory capital cities. They were designed to reflect labour markets using the 2011 Census travel to work data.

### **Income**

Income consists of all annual receipts, that are received by an individual, and which are reported on an Individual Tax Return.

### **Individual Tax Return**

The annual tax return submitted by individuals to the Australian Taxation Office (ATO).

### **Investment income**

Income received as a result of ownership of assets. It comprises returns from financial assets (interest, dividends), and from non-financial assets (rent).

### **Local Government Area (LGA)**

These areas are the spatial units which represent the geographical areas of incorporated local government councils. LGAs include sub categories such as Cities (C), NSW Local Government Areas (A), Boroughs (B), Rural Cities (RC), Towns (T), Shires (S), District Councils (DC), Municipalities (M), SA Municipal Councils (M), SA Regional Councils (RegC) and Qld Regional Councils (R). Data are presented for LGA boundaries at 2017.

### **Main source of income**

The income source from which the most positive income is received. If total income is nil or negative the main source is undefined. As there are several possible sources, the main source may account for less than 50% of gross income.

**Mean income**

The total income received by a group of units divided by the number of units in the group.

**Median age**

That level of age which divides the units in a group into two equal parts, one half having incomes above the median and the other half having incomes below the median.

**Median income**

That level of income which divides the units in a group into two equal parts, one half having incomes above the median and the other half having incomes below the median.

**Medicare levy**

The Medicare levy is a specific tax based on individual income.

**Medicare levy surcharge**

The Medicare levy surcharge is a levy, or an additional tax, on some Australian taxpayers.

**Negative income**

Income may be negative when a loss accrues to an individual as an owner or partner in unincorporated businesses, rental properties or other investment income. Losses occur when operating expenses and depreciation are greater than gross receipts.

**Other income**

Income other than employee income, own unincorporated business income, investment income and superannuation income. This includes other current receipts from sources such as child support, royalties, workers' compensation and scholarships.

**Own unincorporated business income**

The profit/loss that accrues to persons as owners of, or partners in, unincorporated businesses. Profit/loss consists of the value of gross output of the business after the deduction of operating expenses (including depreciation). Losses occur when operating expenses are greater than gross receipts and are treated as negative income.

**Percentiles**

When all persons in the population are ranked from the lowest to the highest on the basis of some characteristic such as their income, they can then be divided into equal sized groups. Division into 100 groups gives percentiles. The highest value of the characteristic in the twentieth percentile is denoted P20. The median or the top of the 50th percentile is denoted P50. P20, and P80 denote the highest values in the 20th, and 80th percentiles. Ratios of values at the top of selected percentiles, such as P80/P20, are often called percentile ratios.

**Percentile ratios**

Percentile ratios summarise the relative distance between two points in a distribution. To illustrate the full spread of the income distribution, the percentile ratio needs to refer to points near the extremes of the distribution, for example, the P80/P20 ratio. The P80/P50 and P50/P20 ratios focus on comparing the ends of the income distribution with the midpoint.

**Positively skewed income distribution**

The distribution of income tends to be asymmetrical, with a small number of people having relatively high incomes and a larger number of people having relatively lower incomes. The greater the asymmetry, the greater the difference there will be between the mean and the median, and the more positively skewed the income distribution is said to be.

**Quartiles**

Groupings that result from ranking all people in the population in ascending order according to some characteristic such as their personal income and then dividing the population into four equal groups, each comprising 25% of the estimated population.

**Rest of State**

Under the Australian Statistical Geography Standard (ASGS), Rest of State is any area not defined as being part of the Greater Capital City Statistical Areas (GCCSAs). In the case of Australian Capital Territory, there is no Rest of State balance.

**Shares**

A share is a contract between the issuing company and the owner of the share which gives the latter an interest in the management of the corporation and the right to participate in profits. The "value of shares" excludes the value of shares held by individuals in their own incorporated business. Such shares are included in "value of own incorporated business".

**Statistical Area Level 2 (SA2)**

Statistical Areas Level 2 (SA2s) are part of the ASGS and are general purpose, medium sized areas designed to represent communities that interact socially and economically. SA2s generally have an average population of 10,000 persons, or a population size range of 3,000-25,000 persons, tending towards the lower limit of this range in rural and remote regions.

**Statistical Area Level 3 (SA3)**

Statistical Areas Level 3 (SA3s) are part of the ASGS and have been created as a standard for the analysis of ABS data at broader geographies through the clustering of SA2s with similar regional characteristics. Generally, SA3s have a population size range of 30,000-130,000 persons.

**Statistical Area Level 4 (SA4)**

Statistical Areas Level 4 (SA4s) are part of the ASGS and are used for the output of a variety of regional data. In regional areas, SA4s tend to have populations of between 100,000 to 300,000 people. In metropolitan areas, SA4s tend to have larger populations (300,000 – 500,000 people).

**Superannuation**

A long-term savings arrangement which operates primarily to provide income for retirement.

## Superannuation/annuity income

Income from superannuation, annuities and private pensions such as allocated pensions.

## Temporary budget repair levy

In 2014-15, the government introduced a temporary budget repair levy. Individual taxpayers with a taxable income of more than \$180,000 per year will have additional tax payable.

## Trusts

Any type of managed fund which involves the pooling of investors' money in order for a trustee or professional manager to administer that fund. Examples include listed and unlisted public unit trusts, cash management trusts, property trusts and family trusts used only for investment purposes.

## Unincorporated business

A business in which the owner(s) and the business are the same legal entity, so that, for example, the owner(s) are personally liable for any business debts that are incurred. The business may be registered (in their own state) as a sole trader, partnership or firm; however they are not registered with the Australian Securities and Investments Commission and are not legally a company.

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# Abbreviations

## ABBREVIATIONS

\$	dollars
'000	thousand
A	Area
ABR	Australian Business Register
ABS	Australian Bureau of Statistics
ACT	Australian Capital Territory
AC	Aboriginal Council
ASIC	Australian Securities and Investments Commission
ASGS	Australian Statistical Geography Standard
ATO	Australian Taxation Office
Aust.	Australia
B	Borough
b	billion
cat. no.	catalogue number
C	City
DC	District Council
EoPI	Estimates of Personal Income
excl.	excludes or excluding
Govt	Government
GCCSA	Greater Capital City Statistical Area
LGA	Local Government Area
M	Municipality/Municipal Council
m	million
na	not available
np	not for publication
no.	number
NSW	New South Wales
NT	Northern Territory
OUB	Own Unincorporated Business
PIT	Personal Income Tax
PAYG	Pay as you go
Qld	Queensland
R	Regional Councils
RC	Rural City
S	Shires
SA	South Australia
S/T	State or territory
SA2	Statistical Area Level 2
SA3	Statistical Area Level 3
SA4	Statistical Area Level 4
SIH	Survey of Income and Housing
T	Town
Tas.	Tasmania
Unincorp.	Unincorporated
Vic.	Victoria
WA	Western Australia

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# Quality Declaration

## QUALITY DECLARATION

## INSTITUTIONAL ENVIRONMENT

These estimates of personal income published by the ABS are sourced from the Australian Taxation Office (ATO). The ATO collects personal income tax information from the lodged personal income tax returns as part of their role to manage and shape tax, excise and superannuation systems that fund services for Australians, please see the ATO website.

The ATO compiles a range of data from this collection for release on the ATO website. An extract of personal income tax is provided to the ABS on an annual basis under a Memorandum of Understanding (MOU) between the ABS and the ATO.

Individual tax return data, and payment summaries data for the financial years 2011 to 2016 have been provided by the ATO to the ABS as a de-identified Unit Record File.

For information on the institutional environment of the ABS, including the legislative obligations of the ABS, financing and governance arrangements, and mechanisms for scrutiny of ABS operations, please see ABS Institutional Environment.

## RELEVANCE

Personal income data are produced by ABS at regional (small area) level to provide valuable information about regional economies and the income of individuals resident in regions. This annual regional level income data is not available from existing ABS censuses and surveys.

The scope of the personal income tax data includes individuals who submit an individual income tax return to the Australian Tax Office, and individuals who have had a payment summary issued by an employer and then remitted to the ATO.

The main statistics released from ATO personal income tax data are the number of persons and the amount of income from Wages and salaries and other employee related payments (Employee income), Own unincorporated business, Investment, Superannuation and annuities, Other income (excluding Government pensions and allowances) and Total income (excluding Government pensions and allowances). Other income measures such as mean and median income, and income percentile indicators (80th, 50th for example) are also produced.

Data for source of income categories are aggregated from line items in the individual income tax return, and are selected to conform as closely as possible to ABS Income Standards.

These statistical releases are presented at the following levels of geography of the Australian Statistical Geography Standard (ASGS): Statistical Area Level 2 (SA2); Statistical Area Level 3 (SA3); Statistical Area Level 4 (SA4); Greater Capital City Statistical Area (GCCSA); Local Government Area; and state/territory, Australia.

## TIMELINESS

Individuals may lodge income tax returns in respect of each financial year (1 July to 30 June). The de-identified personal income tax data for the financial years 2011 to 2016 was provided to the ABS in December 2016.

Data are taken from an extraction from the ATO database. As this single extraction contains data for multiple years, a 16 month cut off is applied to each reference year so that the number of returns lodged for each year would be comparable. For example, data for the 2012-13 financial was compiled by using the tax returns lodged between 1 July 2013 and 31 October 2014.

## ACCURACY

Personal income tax data is derived from information contained in personal income tax returns lodged with the Australian Taxation Office. For the purposes of providing statistical measures for the entire population, the ATO database has some limitations in its coverage. Persons who receive less than the taxable income threshold (\$18,200 in 2012-13) are not necessarily required to lodge a tax return. This can include persons who derive their income from government pensions and allowances, and occasional or temporary workers. Consequently, the coverage of low income earners is incomplete when looking solely at tax returns. The ABS fills this gap by also requesting payment summary data that are submitted by employers.

Other streams of income – for example superannuation income received by persons aged 60 years and over – are currently tax exempt. Hence estimates of superannuation and annuities income from the tax file will be understated.

Data are provided by the ATO before the processing of all income tax returns for any given year may have been completed. Data provided to the ABS by the ATO are from returns processed up to 31 October, 16 months after the end of the financial year. It is estimated that approximately an additional 3% of taxpayers lodge their income tax returns in the twelve months after the initial processing cut off each year and approximately 5% of taxpayers lodge their income tax returns in the three years following the processing cut off. This means that data provided to the ABS slightly under-estimates the 'final' number of income earners and the total income earned.

Perturbation is applied to the data that is published by the ABS. Perturbation is the process of adjusting each cell count by 1, or 2, or 3 and also adjusting the top contributors of a continuous cell by 15%, 10% and 10%. Because of this treatment, the data is altered compared to the original untreated form. The effects of this treatment is slight at the larger cell level but can be more pronounced with small cells - so care should be taken in interpreting small counts.

## COHERENCE

Personal income tax statistics can be impacted by changes to tax legislation. For example in 2012-13, the tax reporting threshold rose from \$6,000 in the previous financial year to \$18,200. The ATO outlines any such changes in their annual release of Taxation Statistics on the ATO website.

Financial Year	Tax Free Threshold
2010/11	\$6,000
2011/12	\$6,000
2012/13	\$18,200
2013/14	\$18,200
2014/15	\$18,200
2015/16	\$18,200

The predicted effect of the tax free threshold change is that less people would be required to lodge tax returns, however our data shows that this threshold change had little effect on returns lodged. One theory is that many individuals may fall under the tax free threshold but may have pay periods where they have paid tax - meaning a return is required to be lodged regardless.

Financial Year	Returns lodged
2010/11	13,445,995
2011/12	13,450,282
2012/13	13,361,080
2013/14	13,370,182
2014/15	13,213,814
2015/16	13,508,101

Data for income categories described above (see Relevance) are aggregated from line items in the individual income tax return, and are selected to conform as closely as possible to ABS Income Standards.

Other ABS sources of income data are:

- the Survey of Income and Housing;
- the Survey of Average Weekly Earnings;
- the Census of Population and Housing; and
- the Australian System of National Accounts.

The ABS Survey of Income and Housing (SIH) also collects information on sources of income, the amounts received and related household characteristics. Some person-level details, for those aged 15 years and over and resident in private dwellings across Australia can also be derived. Data collected from SIH can generally be compared with ATO personal income tax data published in Estimates of Personal Income for Small Areas (cat no. 6524.0.55.002) at the Australia level. A few major points of difference should be noted however.

SIH has a wider coverage of all income earners; it will also capture details for people receiving pensions, or low incomes, or receiving tax exempt superannuation income, who may not be required to lodge tax forms. From another perspective, smaller area estimates are not released from SIH. Being sample survey based it cannot support the production of representative estimates for smaller geographies (such as Statistical Area Level 2, or Local Government Areas). Nonetheless, a comparison of SIH with ATO data for Australia can provide a means of assessing the shape of data movements over time; and generally indicate whether counts are of an expected magnitude and whether the distribution of income across the various sources is similar.

The Survey of Average Weekly Earnings (AWE) is a six monthly sample survey of employing businesses. It collects data on average weekly earnings for full-time adult employee jobs, average weekly total earnings for all employee jobs, and average weekly ordinary time earnings for full-time adult employee jobs. Being sample survey based, AWE cannot support the release of small area (sub state) estimates.

While the ATO mean income levels for Employees can be compared at the Australia level with the 'average weekly total earnings for all employees jobs' from AWE, they will differ partly due to the tax free thresholds applied; some low income earners captured in AWE will be missing from the tax data. Also AWE does not capture details from non-employing businesses.

Income data is also available every five years in the Census of Population and Housing. The Census provides income details for households, families and individuals. Data are available for a wide range of small areas.

The Australian System of National Accounts (ASNA) brings together Employee income estimates from multiple sources, including a range of quarterly and annual business surveys. The data are also updated iteratively whereas the SIH and ATO data are more 'point in time' snapshots. Whereas the ASNA mainly sources data from businesses and the government sector, the ATO and SIH data are primarily sourced from individuals; this methodological difference contributes to some variation in estimates across these collections. A comparison of income data from SIH and ASNA sources, and using selected ATO elements, can be found in Survey of Income and Housing, User Guide, 2015-16.

## INTERPRETABILITY

Estimates of personal income in this release are gross income before deductions, and before tax and application of the Medicare levy.

Data is nominal, so not adjusted for inflation.

ABS releases of personal income tax data provide detailed Explanatory Notes which contain information on scope and coverage, confidentiality, definitional changes, the geographical presentation of the data, classifications and other technical aspects associated with these statistics.

## ACCESSIBILITY

This data will be available in the following formats:

- *Estimates of Personal Income for Small Areas* (cat no: 6524.0.55.002) – with a summary main features, downloadable Excel spreadsheets (data cubes) and detailed Explanatory Notes.
- Data by Region – which contains regional source of income estimates and Employee income earners data (cross referenced by age, sex, occupation) as downloadable data cubes. Detailed Explanatory Notes are also provided. Data regions can be selected from a map or by using other search functions provided.

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